

Structured Products, Unstructured

7. Outperformance Certificates



What are they?

An Outperformance Certificate is a structured product linked to an underlying asset – such as a stock, equity index, or basket – that allows investors to amplify positive performance by a predefined participation rate, without leverage on the downside.

It provides full exposure to any losses in the underlying, but offers a multiplied participation rate in the event of gains – enabling investors to outperform direct investment when markets rise.

Why use them?

Enhanced upside participation

Allows investors to earn a higher return than the underlying itself in rising markets, thanks to an outperformance factor.

No barrier or conditional protection

Unlike income-focused notes, there are no barriers or coupon conditions — performance directly mirrors the underlying's movement.

Efficient use of capital

Provides leveraged exposure to upward moves without the need for margin or borrowing.

Transparent payoff

A simple structure where the investor's return directly follows the underlying, with clearly defined upside participation.

How do they work?

At maturity:

If the underlying rises, the investor receives its performance multiplied by the participation rate.

If the underlying falls, the investor incurs the same percentage loss.

There are no coupons, barriers, or early redemption features – it's a pure performance-based product.

Illustrative example

Outperformance Certificate on the S&P 500 Index

Currency	USD
Underlying	S&P 500 Index
Maturity	1 year
Strike Level	100%
Participation Rate	130%

Scenarios:

If the index rises 10%:

→ Investor gets 13% (10% performance x 130% participation)

If the index rises 25%

→ Investor gets 32.5%

If the index falls 10%

→ Investor loses 10%, in line with index performance

Points to consider

Market risk

Full downside exposure; no capital protection

Performance dependency

Benefits only if the underlying performs positively

Participation rate trade-offs

Higher participation may mean shorter maturity or limited issue size

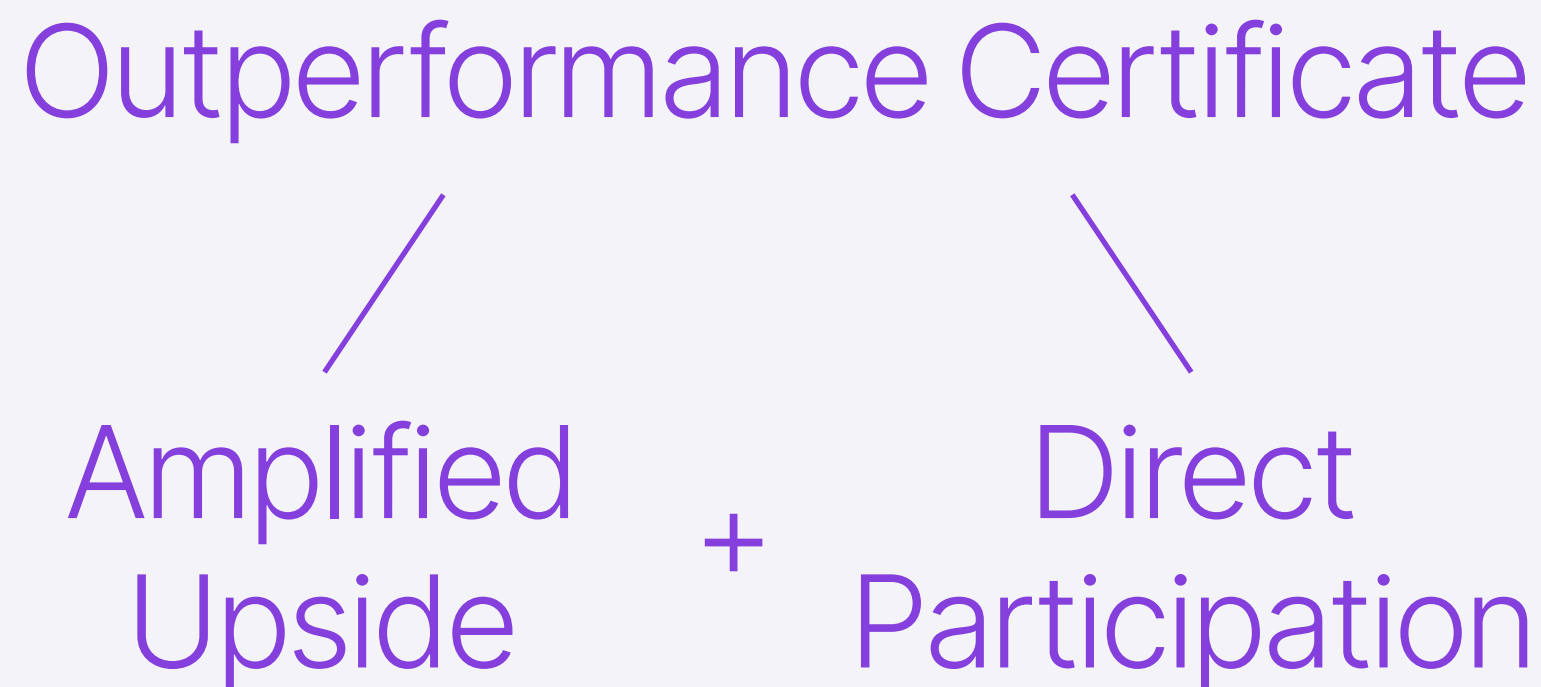
No income component

Returns are realised only at maturity; no coupons

No dividends

Returns are based solely on price performance; investors don't receive underlying dividends

In summary



A way to boost upside participation in rising markets

Glossary

Participation Level

The multiplier applied to the underlying's positive performance (e.g., 130%)

Underlying

The stock, index, or basket that determines the product's return

Maturity

The end date when the final payoff is calculated

Strike Level

The initial level of the underlying at issuance, used to measure performance

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